

## Current Support Brief

### SOVIET PLANNING AND ECONOMIC ADMINISTRATION REORGANIZED



CIA/RR CB 63-35

11 April 1963

CENTRAL INTELLIGENCE AGENCY

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SOVIET PLANNING  
AND ECONOMIC ADMINISTRATION REORGANIZED

On 13 March the USSR announced a sweeping reorganization at the top level of the Soviet economic planning and administrative structure. The announcement appears to complete the framework of the general reorganization of economic management called for by the November plenum of the Party's Central Committee. This latest phase of the reorganization contains two major provisions: first, it provides for the establishment of a new Supreme Council of National Economy to coordinate and direct Gosplan, the USSR Sovnarkhoz, Gosstroy, and their subordinate republic and regional units; second, it provides for the subordination to the new Supreme Council of the state-branch-of-industry committees, which are now mainly responsible for industrial research and development. The two provisions thus concentrate in the hands of the Supreme Council responsibility for the coordination and direction of almost all aspects of industry and much of construction. The Supreme Council also has been given important responsibilities in agriculture through the subordination to it of Gosplan itself, which engages in the planning of over-all agricultural production, and -- through Gosplan and the USSR Sovnarkhoz -- of such committees as Soyuzsel'khoztekhnika, which supervises the supply and maintenance of farm equipment. However, the agencies responsible for administrative direction of the individual farms, for administration of procurement, and for agricultural research have not been subordinated to the Supreme Council, and thus its responsibility in agriculture is less pervasive than in industry and construction. (For the central administrative structure of the USSR as of 15 March 1963, see the chart.)

The Supreme Council of National Economy

Membership in the new Supreme Economic Council consists of a chairman (D. F. Ustinov, simultaneously elevated to the position of first deputy chairman of the USSR Council of Ministers) and five deputy chairmen: one without portfolio (A. N. Tarasov) plus the chairmen of Gosplan (P. F. Lomako), the USSR Sovnarkhoz (V. E. Dymshits),

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Gosstroy (I. T. Novikov), and the State Committee for the Coordination of Scientific Research (K. N. Rudnev). As yet, no provision for a staff or for other members of the council has been made public although the existence of a "bureau" has been mentioned in the press. The small size of the council and the fact that three of its members have full-time duties in agencies subordinate to the council indicate that the leadership intends the activities of the council to be confined to more general and high level questions.

Subordination of State-Branch-of-Industry Committees

The principal responsibility of most of the state-branch-of-industry committees is now industrial research and development of new products and new technology within their respective fields. To bring research and development under the purview of the new Supreme Council, all state-branch-of-industry committees and a number of other state committees such as that for standards and measures have been subordinated to the new council either directly or indirectly via subordination to Gosplan, Gosstroy, or the USSR Sovnarkhoz. To place direction of industrial production more fully under the control of the new council, five former ministries and one main administration engaged in the administration of industrial production or construction -- those for electric power, medium machine building, geology, transport construction, construction in the Central Asian region, and gas production and distribution -- were reformed into state "production" committees and subordinated directly or indirectly to the new council.

To some extent, the new subordinations of the state committees form a pattern. The state committees concerned with various aspects of construction have been subordinated to Gosstroy; those concerned with defense or defense-related production, such as aviation, atomic energy, and shipbuilding have been subordinated directly to the Supreme Council; most of those concerned primarily with civilian production have been subordinated to Gosplan; and two state committees concerned with distribution -- those for domestic trade and for supply and maintenance of agricultural equipment -- have been subordinated to the USSR Sovnarkhoz. In many cases, however, the basis for the new state

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committee subordinations is still obscure. For example, the State Committee for Fish Industry has been subordinated to the USSR Sovnarkhoz, whereas the committees for food and light industry have been subordinated to Gosplan. Moreover, although most state committees not concerned with specific branches of industry (such as those for standards and measures and for inventions and innovations) have been subordinated directly to the Supreme Council, the state committee for vocational and technical training has been subordinated to Gosplan and the state committee for labor and wages presumably has retained its direct subordination to the USSR Council of Ministers.

Relation of the New Measures to the Plenum Proposals

Formation of the new Supreme Economic Council was not proposed at the November plenum. The new council does bear a distinct resemblance, however, to the technical economic council proposed in Khrushchev's plenum speech and about which no more has been said. At the plenum, Khrushchev proposed that consideration should be given to the formation of a technical economic council within Gosplan that would be composed in part of the chairmen of the state-branch-of-industry committees and would "deal with vital issues relating to the working out of national economic plans, as well as to the further improvement of planning and of the draft plan for the development and introduction of new technical means." The long delay between the plenum and the announcement of this final phase of the reorganization thus may have resulted from indecision or disagreement within the Soviet leadership as to whether the new council should operate within or above Gosplan and what relation it should bear to the state-branch-of-industry committees.

Evaluation of the Reorganization Measures

Formation of the Supreme Economic Council should be of considerable help in improving top-level coordination between the functions of planning performed by Gosplan and of implementation performed by the USSR Sovnarkhoz and in part by Gosstroy. In the case of high priority industries -- particularly those whose state committees are subordinate

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directly to the new council -- formation of the new council also may result in increased emphasis on technological progress in drawing up plans. These two problems were the ones most heavily stressed by Khrushchev in his plenum speech and appear to be major factors in the decision to form the new council. Because of the high level on which the new council will operate and because of the apparent failure of the state-branch-of-industry committees to obtain representation on it in spite of Khrushchev's original proposal, however, the operation of the new council may have little impact on the rate of technological progress in lower priority industries.

This phase of the reorganization does not make much change in the degree of centralization of the administration of the economy envisaged by the proposed elevation of the authority of the state-branch-of-industry committees. It does, however, provide for a concentration of powers within an administrative agency responsible solely for exercising them -- powers formerly exercised, if imperfectly, by the Council of Ministers.

The announced provisions of any phase of the reorganization fail to deal with most of the widespread problems of parallelism and duplication in the structure of economic administration and of poor coordination of supply with production planning about which there has been much complaint in the Soviet press. There is increasing evidence that a considerable reshuffling of functions, organizations, and personnel has taken place within Gosplan, the USSR Sovnarkhoz, and Gosstroy -- a reshuffling that could result in the clearing of some of this administrative confusion. Until more information becomes available on the nature and objectives of these changes, however, an evaluation of their probable effectiveness is premature.

Continuity in Planning

In a separate action on 13 March the USSR announced a decision to begin work on the national economic plans for the 2-year period 1964-65 and for the 5-year period, 1966-70. This announcement appears to signal the adoption of at least two of three proposals for improving the

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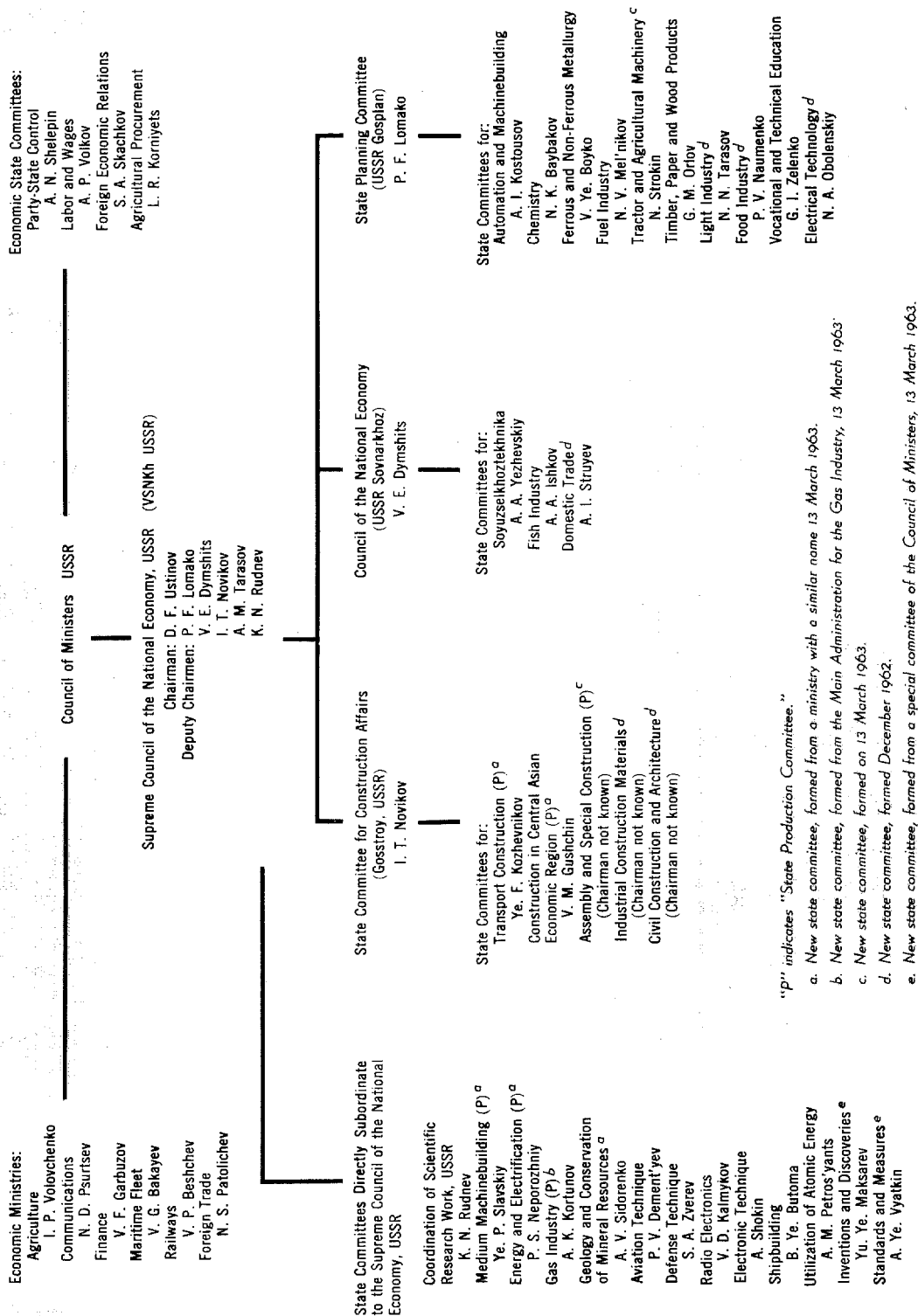
continuity of planning that have been under top-level consideration for at least 2 years. In March 1961, a conference on the improvement of planning held by Gosekonomsovet -- the long-term planning agency at that time -- called for three major innovations in planning procedures: first, instead of preparing detailed plans to implement a given long-term plan each year, these would be prepared for 2-year periods; second, during each year of a given long-term plan, general guide lines for production and investment would be worked out for the year lying 5 years ahead; and third, preparation of the next 5-year plan would begin midway through the current one.

Although adoption of these proposals presumably will involve additional work for the planners without necessarily improving the quality of planning, it could smooth out some of the abrupt changes of pace in economic activity that led Khrushchev as early as 1957 to call for recommendations for improving the continuity of plans.

Adoption of new planning procedures at this time may have been prompted additionally by the need to make a number of changes in the existing Seven Year Plan (1959-65). Such a need is to be expected toward the end of a long-term plan period and is not necessarily indicative of major difficulties.

# CENTRAL ECONOMIC ADMINISTRATIVE STRUCTURE OF THE USSR

AS OF 15 MARCH 1963





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Coord:

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Sources: Based on official Soviet press releases.

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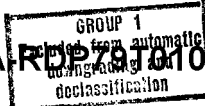
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